

Service Date: June 1, 1995

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Application)	UTILITY DIVISION
of GREAT FALLS GAS COMPANY, for)	DOCKET NO. 94.11.52
a General Rate Increase.)	FINAL ORDER NO. 5813a

Final Order

1. On November 14, 1994, Great Falls Gas Company (GFG or Company) filed with the Montana Public Service Commission (Commission) a general rate case application seeking authority to increase rates for natural gas service by \$510,381. Included in the application was a request for an interim increase in natural gas rates of \$388,424.

2. The Montana Consumer Counsel (MCC) intervened in this Docket on November 23, 1994. Montana Refining Company intervened in this Docket on December 7, 1994. Also on December 7, 1994, Montana Power Company (MPC) intervened in this Docket. On December 23, 1994, MCC filed a Protest to the Montana Power Company's intervention. MCC stated: "It is plainly apparent that MPC has no adequate stake in Great Falls Gas Company's rates, and should not be allowed to intervene in the rate case." On January 27, 1995, the Commission issued a Notice of Commission Action on Intervention. The Notice stated: "MCC's protest to MPC's intervention is denied."

3. On January 25, 1995, GFG and MCC filed a Joint Motion for Suspension of the Procedural Order. That motion asked that the procedural schedule be suspended in order to allow the parties to negotiate toward a stipulated settlement of their

respective positions. On January 27, 1995, the Commission issued a Notice of Commission Action on Extension of Time. That Notice changed the due date for intervenor testimony from January 26, 1995, to March 3, 1995. This was designed to allow approximately two weeks for the parties to further discuss settlement and two weeks for intervenors to prepare testimony, if settlement was not reached.

4. On March 1, 1995, the Commission received a stipulation between the Company and MCC that resolved all revenue requirement issues in this Docket. A copy of the stipulation is appended to this Order as Attachment A. In the stipulation GFG and MCC agreed that an decrease in base revenues of \$250,000 was appropriate. For purposes of developing tariffs consistent with this rate decrease a sales volume of 4,560,058 Mcf shall be used until further adjusted by order of this Commission. The stipulation did not determine a cost of capital.

5. The stipulation between GFG and MCC approves a surcharge in rates to reflect the charges associated with the investigation, assessment and remediation of the manufactured gas plant site on which GFG's service center is now located. The surcharge will be accounted for similar to GFG's currently existing NIP loan surcharge. All third party charges incurred in the investigation will be accounted for as a charge into the account; all revenue received from the surcharge will reduce the balance in the account. The initial balance for calculation of the surcharge will be \$182,736. The unamortized balance will earn GFG's last Commission approved return on rate base to allow GFG to recover its time value of money. The surcharge will be calculated based on a two year recovery of the average annual basis.

6. The stipulation between GFG and MCC was arrived at using accounting consistent with the Financial Accounting Standards Board pronouncements numbered 109 (Accounting for Income Taxes) and 106 (Accounting for Post Retirement Benefits Other Than Pensions). The parties agreed that the settlement was arrived at using accounting practices consistent with these pronouncements and with Commission treatment of those issues in other dockets.

7. The request by GFG to increase the NIP surcharge from 1.74 cents per Mcf to 4.23 cents per Mcf is agreed to in the stipulation between GFG and MCC.

8. The decrease in rates agreed to by GFG and MCC was to be effective for service rendered on and after July 1, 1995.

9. On April 11, 1995, the Commission received a stipulation between the Company and MPC that resolved MPC's issues in this Docket. A copy of the stipulation is appended to this Order as Attachment B. MPC and GFG stipulate and agree as follows: (1) MPC continues to have concerns and GFG acknowledges those concerns relative to GFG's peak requirements and supply; (2) The parties acknowledge that the upcoming GFG gas tracker filing is a more appropriate filing in which to discuss issues concerning peak and annual gas requirements and supplies and GFG will not oppose MPC's intervention in that Docket; (3) GFG acknowledges that representations made in this general rate case testimony regarding a gas commodity cost decrease is subject to change and are subject to MPC's concerns regarding the adequacy of GFG's peak supply; (4) The parties agree that GFG's peak gas supply is subject to Commission and MCC scrutiny and that, while MPC may discuss its concerns with GFG, it will not assume any "oversight" responsibility relative to adequacy of GFG's peak supplies; (5)

GFG agrees to file a gas cost tracker filing in 1995 and to include the following information in that filing: a) a peak load study; b) peak supply plans, including contractual and upstream capacity arrangements or the Commission's and MCC's scrutiny; and c) a plan for ongoing submittal and approval of GFG's peak requirements and supply; (6) Given the above promises and acknowledgements by GFG, MPC agrees not to take a position regarding the revenue requirement in this Docket.

10. On April 19, 1995, the Commission issued a Notice of Stipulation Meeting. On May 23, 1995, at 1:00 p.m. pursuant to that Notice, a stipulation meeting was held where GFG and MCC each presented their reasons for entering into the stipulation. MPC attended the meeting.

Commission Decision

11. After a thorough review of the record in this Docket the Commission finds the stipulation between GFG and MCC in the public interest and approves the stipulation as filed. The surcharge associated with the investigation, assessment and remediation of the manufactured gas plant site will be based on a two-year recovery of the initial balance of \$182,736. Approval of the initial surcharge is limited to the initial amount only. GFG is expected to complete remediation of the manufactured gas plant site at the lowest possible cost. Any cost increases beyond the initial amount must be requested by the Company, and this Order does not approve those further cost increases. All changes in the surcharge associated with the manufactured gas plant must be approved by the Commission. As to the stipulation between MPC and GFG, the Commission accepts the stipulation as filed. However, there is one point which the Commission wants to make very clear. If there are serious concerns about peak supplies or peak transportation arrangements, the time to address those issues is prior to the next heating season. In this Docket MPC raised those concerns *during a heating season*. Both parties are urged to resolve all peak concerns on the GFG system prior to the start of the next heating season.

CONCLUSIONS OF LAW

1. Great Falls Gas Company is a public utility furnishing natural gas service to consumers in the State of Montana. As such, it is subject to the supervision, regulation and control of this Commission. ' 69-3-102, MCA.

2. The Montana Public Service Commission properly exercises jurisdiction over the Company's Montana operations pursuant to Title 69, Chapter 3, MCA.

3. The Commission has provided adequate public notice and an opportunity to be heard, pursuant to the Montana Administrative Procedure Act. Title 2, Chapter 4, MCA.

4. The revenue requirement and rate levels approved in this Order are just, reasonable and nondiscriminatory.

ORDER

THEREFORE, THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. The revenue requirement stipulation executed by GFG and MCC and filed on March 1, 1995, is approved. GFG shall reduce base rates by \$250,000. The increase in the NIP loan surcharge from 1.74 cents per Mcf to 4.23 cents per Mcf is approved.

2. A new surcharge associated with the manufactured gas plant site with an initial balance of \$182,736 is approved. The surcharge is to be calculated based on a two-year recovery of the average annual basis. The unamortized balance will earn GFG's last Commission approved return on rate base to allow GFG to recover its time value of money.

3. GFG is ordered to file with the Commission compliance tariffs within twenty (20) days from the service date of this Order, which incorporate the provisions of this Order. The effective date of the tariffs shall be for service rendered on and after July 1, 1995.

DONE IN OPEN SESSION at Helena, Montana, this 30th day of May, 1995, by a 5 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

NANCY McCAFFREE, Chair

DAVE FISHER, Vice Chair

BOB ANDERSON, Commissioner

DANNY OBERG, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.